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INTELLIGENCE MEMORANDUM

NEW SOVIET DECREE REDUCING PRICES
OF CONSUMERS' GOODS

CIA/RR IM-374

18 June 1953

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CIA/RR IM-374
(ORR Project 48.3)

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NEW SOVIET DECREE REDUCING PRICES OF CONSUMERS' GOODS*

The sixth postwar reduction in the price of consumers' goods in the USSR, announced by the Soviet government on 31 March 1953, is estimated to amount to a decrease of 10 percent or more in the general retail price level.** This latest price reduction is less than that of 1950, but it is greater than the price reductions of 1951 and 1952 and may equal or exceed those of 1948*** and 1949. In number of categories covered, it is second only to the reduction of 1950. It covers 125 listings of consumers' goods -- 40 for food and liquor, 27 for textiles and clothing, and 58 others. This is a large number of listings, though much smaller than the number (234 listings) covered by the 1950 decree. The planned savings to the population resulting from the 1953 price reduction are 53 billion rubles, an amount greater than the estimated annual savings which resulted from the price reductions of 1951 and 1952.****

The 1953 price reduction brings the prices of consumers' goods down to almost one-half of their postwar high, the level which

* This memorandum contains information available as of 11 May 1953.

** The basic data concerning the 1953 price reduction, together with comparative data for previous reductions, are tabulated and discussed in Appendix A.

*** The general price reduction of 1948 was promulgated in December 1947. The 1948 data given in this memorandum include a second minor reduction which was announced in the spring of 1948. The latter covered only a small number of items, such as automobiles, motorcycles, and bicycles, and did not affect prices of the necessities of life. 1 (Footnote references in arabic numerals are to sources listed in Appendix B.)

**** On a somewhat simplified basis, the meaning of the term "savings" as used in this memorandum is as shown in the following example: total savings resulting from 1953 price reduction = total 1953 retail trade in prices before 1953 price reduction minus total 1953 retail trade in prices after 1953 price reduction.

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prevailed in 1947. Nevertheless, it is expected that, by the end of 1953, despite all the postwar price reductions, the general price level of consumers' goods will still be about 20 percent above the 1940 general price level. Prices of many individual items, even after the 1953 price cuts, are still as much as 30 to 50 percent over 1940 prices. But 1953 prices for the categories of goods including vegetables and fruits, kerosene and matches, and tobacco products compare very favorably with 1940 prices. Probably the most significant 1953 price cut was the 50-percent reduction applied to vegetables and fruits. This category accounted for about 12 percent of total food sales in 1948 in the State and Cooperative retail trade network. 2/

Taken alone, the 1953 price reduction may seem to be of little significance. However, since the basic wage scales have not changed since 1946, 3/ this reduction signifies a real increase in purchasing power. It also indicates that by the end of 1953 the Soviet citizen will be better able to satisfy his demands for food and other basic necessities. It may leave him with a money surplus with which to purchase some consumers' durable goods. Furthermore, the probabilities are that such a development is in fact taking place, for indications are that the per capita sale of consumers' goods is increasing.

The actual increase in purchasing power, however, may not be so great as the price reductions imply, since increases in the production of consumers' goods may not be sufficient to satisfy demands at the new lower prices. Under the current (Fifth) Five Year Plan (1951-55) the production of consumers' goods continues to have a low priority. 4/

The postwar price reductions may imply a determined policy to socialize further the trading sector of the economy and to contract still more the free market. The American Embassy in Moscow recently expressed this view in reporting that the Kremlin may be moving gradually toward elimination of the kolkhoz (collective farm) market by forcing it to compete with State stores selling at reduced prices. 5/ The fact that the largest price reductions applied to vegetables and fruits, which are among the chief products sold by the collective farmer in the open market, strongly supports this view.* Other signs

* On the other hand, a very large increase in the production of these items would justify a large price reduction, irrespective of policy in regard to the role of the kolkhoz markets.

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in the postwar period also point to this conclusion. The establishment of "Commercial Stores" in 1944 by the Soviet government, although aimed primarily at draining off excess purchasing power, also had the effect of reducing the scope of operation in the kolkhoz market. The two previous postwar price reductions, at least, have also worked to the disadvantage of the kolkhoz market. In 1951 and 1952 the resultant savings to buyers in the kolkhoz market were greater in relation to turnover than in retail trade generally. Whereas sales in the kolkhoz market during the period of the price reductions have tended to range between 10 and 15 percent of total sales,* savings in the kolkhoz market in 1952 accounted for 20 percent of the total savings resulting from the 1952 price reduction. In this connection it should be noticed that the gradual reduction of the kolkhoz market appeared to be Soviet policy during the end of the Second Five Year Plan (1933-37) and the beginning of the Third Five Year Plan (1938-42). The proportion of kolkhoz trade to total trade dropped from 18 percent in 1933 to 12.5 percent in 1937. 7/ There does not seem to be any available method for the free market during 1953 to increase its portion of the total retail trade.

* Kolkhoz market turnover in 1949 amounted to 12 percent of total retail turnover. 6/

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APPENDIX A

DATA ON SOVIET PRICE REDUCTIONS OF CONSUMERS' GOODS
1948-53

The information used in estimates appearing in this memorandum is shown in Tables 1-4. Minor discrepancies in the price index shown in Table 1 are the results of rounding. Soviet official statistics for the volume of retail trade, 8/ which are in the form of link relatives beginning in 1948, show that the price index given in Table 1 may be in error by as much as 5 percentage points.

Table 1

Average Price Reductions in Consumers' Goods
in the USSR and Price Index
1948-53

<u>Year</u>	<u>Average Price Reductions (Percent)</u>	<u>Price Index</u>
1948	12	199.4
1949	12	176.2
1950	17	146.6
1951	6	137.6
1952	5	130.9
1953	10	117.9

The average price reductions listed in Table 1 were computed from Soviet data on State and Cooperative retail trade turnover and prices by the procedure described in a study by Edward Ames of Soviet retail trade and prices. 9/

In order to compute the price index, the level of consumers' goods prices in 1948 was taken to be double that of 1940, based on the 319 (1937=100) quoted in a Rand study on retail prices, 10/ giving a 1948 price relative of 199.4, which was then reduced for each subsequent year by the computed average of price reductions. The factor 1.2 was

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used for the years 1949 through 1951, and the factor 1.3 was used for the years 1952 and 1953, to adjust the average of price reductions from the date of announcement to 1 January of the current year as computed by the Ames method mentioned above. The annual average is already in the figure 319 for the year 1948.

Information on the Soviet method of estimating savings to the population has never made clear whether these computations are based on 1 January or on the date of the price reduction announcement. It is assumed that the planned savings apply to the 12-month period following the date of the price reduction announcement and that the actual savings apply to the calendar year. In any case, the savings quoted in Table 2 are roughly comparable, except for the 1948 savings, since the other reductions have gone into effect on 1 March or 1 April. The savings announced for 1948 probably are for the calendar year 1948, as the price reduction which occurred at the end of 1947 had a far greater effect on 1948 savings to the population than the minor price reduction of 1948.

Table 2

Planned and Actual Annual Savings to the Population of the USSR
from Price Reductions
1948-53

		Billion Rubles			
Year		Total	State	Cooperative	Kolkhoz
1948	Planned	86.0 <u>11/</u>	57.0 <u>a/</u>		29.0 <u>12/</u>
	Actual	N.A.	57.0 <u>13/</u>		N.A.
1949	Planned <u>14/</u>	71.0	48.0		23.0
	Actual	N.A.	43.8 <u>15/</u>		N.A.
1950	Planned	110.0 <u>16/</u>	80.0 <u>17/</u>		30.0 <u>a/</u>
	Actual	N.A.	N.A.		N.A.
1951	Planned <u>18/</u>	34.5		27.5	7.0
	Actual	N.A.		26.0 <u>19/</u>	N.A.
1952	Planned <u>20/</u>	28.0		23.0	5.0
	Actual	N.A.		N.A.	N.A.
1953	Planned <u>21/</u>	53.0		46.0	7.0

a. Residual.

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The figures used in Table 2, as indicated, are Soviet figures with the exception of two figures, which were obtained as residuals.

Table 3 represents an attempt to complete Table 2 by the use of other data and certain assumptions (discussed below). The assumptions made in interpreting the planned and actual figures used in Table 2 also apply to Table 3.

Table 3

Breakdown by Trade Organizations of Planned and Actual Annual Savings
from Consumer Price Reductions in the USSR
1948-53

		Billion Rubles					
Year		<u>Total</u>	State and Coopera- tive	<u>State</u>	Coopera- tive	<u>Kolkhoz</u>	<u>Kolkhoz a/ (Percent of Total)</u>
1948	Planned	86.0	75.7	57.0	18.7	10.3	12.0
	Actual	78.4	68.1	57.3	16.8	10.3	13.1
1949	Planned	71.0	62.5	48.0	14.5	8.5	12.0
	Actual	65.1	56.6	43.8	12.8	8.5	13.1
1950	Planned	110.0	96.8	80.0	16.8	13.2	12.0
	Actual	100.3	87.1	72.0	15.1	13.2	13.1
1951	Planned	34.5	27.5	20.6	6.9	7.0	20.3
	Actual	31.8	24.8	18.6	6.2	7.0	22.0
1952	Planned	28.0	23.0	17.3	5.7	5.0	17.9
	Actual	25.7	20.7	15.6	5.1	5.0	19.5
1953	Planned	53.0	46.0	34.5	11.5	7.0	13.2
	Actual b/	48.4	41.4	31.1	10.3	7.0	14.5

a. See below.

b. Projected.

Planned savings in the Cooperative and kolkhoz markets for 1948, 1949, and 1950 were computed from Table 2 by taking the kolkhoz share of total retail turnover -- 12 percent 22/ -- to represent savings in

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the kolkhoz market for these years. Figures for savings in the Cooperative market were obtained by subtraction from the figures given in Table 2 for savings in the Cooperative and kolkhoz markets together. For 1951, 1952, and 1953 the figures given in Table 2 for planned savings in the Cooperative and kolkhoz markets were broken down by taking the State portion of State and Cooperative retail trade turnover in 1947 -- assumed to be roughly 75 percent* -- to represent savings in the State market for these years. For the years 1951 through 1953 the planned savings to the population from the kolkhoz market are given in Table 2.

Plan fulfillment was estimated from the 1949 figure given for the State market, which was an achievement of 91.25 percent.** Ninety percent was used as the degree of fulfillment in State and Cooperative trade for all other years. There is no way of estimating fulfillment realized in the kolkhoz market. In order to obtain total savings, it was assumed that savings in this market were fully realized.

It should be noted that minor discrepancies are the result of rounding. Possible sources of greatest error are the assumptions that kolkhoz market fulfillments were 100 percent realized and that the past proportions of total trade turnover of the various markets had a high correlation with proportions of savings -- an assumption which the data show did not hold in 1951 and 1952. Kolkhoz market prices may not have been reduced to the extent planned, since it has been noted in the past that prices in this market have not always dropped immediately to the hoped-for level. For instance, when commercial stores were established, prices on the kolkhoz market were drastically reduced, but these prices did not come down to the level expected. During the period of commercial stores, kolkhoz prices may have remained above the expected level, since State and Cooperative stores were unable to meet the needs of the population at existing price levels. Nevertheless, the Soviet government has been successful in influencing prices on the free market, even if not to the desired extent, since April 1944, when the commercial stores were put into operation.

* The State portion of total State and Cooperative retail trade turnover in 1947 was 76.7 percent. 23/

** The Soviet statistics for 1951 (used in Table 2) give fulfillment of planned savings in the State and Cooperative market as 95 percent.

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Table 4 should be interpreted with care, since all price quotations for 1937, 1948, and 1953 are average prices and are not strictly comparable with the "spot" prices given for 1940.

Table 4

Selected Average Moscow Prices after 1 April 1953
Compared with 1937 and 1948 Average Prices and 1940 "Spot" Prices

	Rubles per Unit			
<u>Foodstuffs</u>	<u>1937 24/</u>	<u>1940 25/</u>	<u>1948 26/</u>	<u>1953 Preliminary</u>
Grain Products and Legumes (Kilograms)				
Rye Flour	1.60	N.A.	4.80	2.18
Rye Bread	0.85	1.00	3.00	1.26
Wheat Flour, 85 Percent	2.40	2.40	6.20	3.75
Wheat Flour, 72 Percent	2.90	4.60	8.00	3.64
Wheat Bread, 85 Percent	1.70	1.70	4.40	2.45
Meat and Meat Products (Kilograms)				
Pork	10.38	20.00	48.00	26.38
Beef	7.75	18.00	30.00	14.82
Mutton, Average	7.60	N.A.	30.00	15.06
Sausage, Moscow	23.50	N.A.	82.00	43.24
Sausage	12.00	N.A.	N.A.	23.72
Fish (Kilograms)				
Pike-Perch, Frozen	3.28	N.A.	12.00	7.88
Herring, Salted	8.00	10.00	20.00	13.12
Sugar (Kilograms)				
Lump	4.00	5.50	15.00	10.69
Granulated	3.80	4.10	13.50	8.91
Fats (Kilograms)				
Sunflower Oil	14.84	15.65	30.00	19.44
Margarine	10.50	N.A.	33.00	14.77

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(Continued)

	Rubles per Unit			
<u>Foodstuffs</u> (Continued)	<u>1937</u> <u>24/</u>	<u>1940</u> <u>25/</u>	<u>1948</u> <u>26/</u>	<u>1953</u> <u>Preliminary</u>
Milk, Fresh (Liters)	1.60	2.10	4.00	2.92
Eggs (10)	6.13	7.50	16.00	10.71
Vegetables and Fruit (Kilograms)				
Potatoes	0.40	0.50	1.00	0.45
Cabbage	0.30	N.A.	1.00	0.43
Beets	0.26	0.50	0.90	0.41
Apples, Fresh	5.40	6.40	20.50	8.20
Prunes, Dried	14.00	N.A.	40.00	16.00
Salt, Ground	0.11	N.A.	1.50	0.50
Tea, Georgian (100 Grams)	8.00	10.00	16.00	10.08
Alcoholic Beverages				
Vodka "50 (Half Liters)	9.00	9.00	65.64	31.53
Vodka "40 (Liters)	13.10	9.00	85.80	23.23
<u>Nonfoodstuffs</u>				
Textiles (Meters)				
Calico	3.43	3.50-5.50	10.10	7.04
Coating, Common Quality	45.00	N.A.	105.00	68.23
Baize	36.43	N.A.	108.00	81.17
Garments (1)				
Shirt, Cotton	34.40	35.00	60.00	54.00
Dress, Cotton	44.70	N.A.	77.00	59.60
Blouse, Cotton	22.10	N.A.	60.00	46.44

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S-E-C-R-E-TTable 4
(Continued)

	Rubles per Unit			
<u>Nonfoodstuffs</u> (Continued)	<u>1937 24/</u>	<u>1940 25/</u>	<u>1948 26/</u>	<u>1953</u> <u>Preliminary</u>
Garments (1) (Continued)				
Suit, Men's Part Wool	175.00	N.A.	430.00	340.56
Overcoat, Women's	314.00	N.A.	832.00	571.08
Knitwear (Pairs)				
Stockings, Cotton	1.76	4.50	7.00	5.95
Socks, Cotton	1.49	3.60	5.45	4.63
Footwear (Pairs)				
Shoes, Leather	128.70	N.A.	260.00	198.90
Shoes, Men's	41.46	N.A.	100.00	68.85
Shoes, Fabric and Rubber	33.37	N.A.	117.65	33.81
Rubbers, Men's	20.08	19.65	45.00	45.00
Valenki <u>a/</u>	75.00	N.A.	195.00	146.25
Soap				
Laundry (Kilograms)	3.10	3.10	13.00	4.51
Toilet (100 Grams)	0.80	0.80	3.71	1.02
Housewares (Units)				
Tea Kettle, Brass	50.00	N.A.	130.00	96.53
Pan, Aluminum	12.00	N.A.	27.50	20.42
Hotplate, Electric	21.00	N.A.	30.83	18.32
Stove, Primus	29.00	N.A.	110.80	51.00

a. Felt Boots.

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S-E-C-R-E-TTable 4
(Continued)

	Rubles per Unit			
<u>Nonfoodstuffs</u> (Continued)	<u>1937 24/</u>	<u>1940 25/</u>	<u>1948 26/</u>	<u>1953</u> <u>Preliminary</u>
Cultural and Sports Goods (Units)				
Gramophone, PT-3	353.00	600.00	770.00	363.83
Accordion, Bian	1,505.00	N.A.	3,929.00	2,121.53
Bicycle	250.00	N.A.	1,197.00	689.47
Kerosene and Matches				
Kerosene (Liters)	0.47	N.A.	2.00	1.05
Matches (Box)	0.024	N.A.	0.20	0.10
Tobacco Products				
Metro Cigarettes (Boxes of 25)	1.30	N.A.	2.57	1.54
Kazbek Cigarettes (Boxes of 25)	3.30	2.50	6.08	3.64
Pipe Tobacco (100 Grams)	8.00	5.00	16.00	9.58
Makhora (50 Grams)	0.38	0.50	1.15	0.69

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Comparability of items has been assumed for all the products listed in Table 4. The prices quoted for 1937 and 1948 are taken from the Rand studies noted in Table 4. Prices for 1940 are "spot" prices for individual items in January, April, and December taken from several sources. Prices for 1953 were obtained by applying the percentage decreases listed in the official price decrees 27/ each year since 1948. The 1953 prices have not been adjusted to an annual basis.

The prices listed for 1953 are preliminary and deserve more rigorous checking. It has been noted in the past that the applying of broad category decreases to individual items is not always correct. This approach has been used in this case, since "spot" checks with other information reporting prices show this method as not being too inaccurate.

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APPENDIX B

SOURCES

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
A - Completely reliable	1 - Confirmed by other sources
B - Usually reliable	2 - Probably true
C - Fairly reliable	3 - Possibly true
D - Not usually reliable	4 - Doubtful
E - Not reliable	5 - Probably false
F - Cannot be judged	6 - Cannot be judged

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation of the cited document.

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3. CIA/RR PR-33, Soviet Wages and Wage Differentials, Jun 1953. S. Eval. RR B-2.
4. CIA/RR IM-366, Preliminary Evaluation of the Soviet Fifth Five Year Plan, 28 Aug 1952. S. Eval. RR B-2.
5. CIA OCI Daily Summary, No. 2,769, 2 Apr 1953. S. Eval. RR B-3.
6. M.M. Lifits, ed., Ekonomiki Sovetskaya trgovlya, Moscow, 1950, p. 235. U. Eval. RR B-2.
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11. Pravda, 1 Mar 1950, p. 1. U. Eval. RR B-2.
12. Pravda, 2 Mar 1949, p. 2. U. Eval. RR B-2.
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15. Edward Ames, op. cit.
16. Pravda, 1 Mar 1950, p. 1. U. Eval. RR B-2.
17. Ibid.
18. Pravda, 1 Mar 1951, p. 1. U. Eval. RR B-2.
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23. B.I. Gogol, Sovetskaya trgovlya: yeye rol narodnom khozyaystve, Moscow, 1948, p. 65. U. Eval. RR B-2.

24. [REDACTED]

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"New Price Reduction of State Retail Prices for Food and Manufactured Goods," Supplement to New Times, No. 10, 8 Mar 1950. U. Eval. RR B-2.
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